

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODGE FAIR
SONORA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-028
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

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Audit Chief
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Auditor

AUDIT REPORT NUMBER

#09-028

29th DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Wes Wittman, President
Board of Directors
29th DAA, Mother Lode Fair
220 Southgate Drive
Sonora, California 95370

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 29th District Agricultural Association (DAA), Mother Lode Fair, Sonora, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 29th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 29th DAA, Mother Lode Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 29th DAA, Mother Lode Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-028, on the 29th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 29th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.



Ron Shackelford, CPA
Chief, Audit Office

April 3, 2009

**29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007**

	Account Number	2008	2007
ASSETS			
Cash & Cash Equivalents	111-117	\$ 234,870	\$ 238,884
Accounts Receivable, Net	131-133	25,478	9,127
Land	191	239,127	239,127
Buildings and Improvements, Net	192	893,516	917,496
Equipment, Net	193	22,886	39,912
TOTAL ASSETS		<u>1,415,877</u>	<u>1,444,547</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable and other Payroll Liabilities	212, 221-226	7,321	4,199
Current Portion of Long-Term Debt	212.5	12,417	12,102
Deferred Income	228	5,745	3,880
Deferred Project Income	229	39,295	23,258
Guaranteed Deposits	241	6,890	5,625
Compensated Absences Liability	245	67,303	68,518
Long-Term Debt	255	33,117	44,591
Total Liabilities		<u>172,088</u>	<u>162,173</u>
Net Resources			
Reserve for Junior Livestock Auction	251	24,634	26,709
Net Resources - Operations	291	109,159	115,822
Net Resources - Capital Assets less related Debt	291.1	1,109,995	1,139,842
Total Net Resources Available		<u>1,243,789</u>	<u>1,282,374</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,415,877</u>	<u>\$ 1,444,547</u>

**29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
REVENUE			
State Apportionments	312	\$ 150,000	\$ 150,000
Capital Project Reimbursement	319	25,214	64,394
Other Revenue	340	13,748	10,661
Admissions	410	183,703	218,255
Commercial Space	415	19,300	24,050
Concessions	422	24,217	29,310
Exhibits	430	10,864	11,229
Miscellaneous Fair	470	48,150	47,546
JLA - Revenue	476	21,093	21,008
Non-Fair Revenue	480	205,301	174,339
Prior Year Adjustment	490	55,280	4,018
Other Revenue	495	11,937	12,225
Total Revenue		<u>768,807</u>	<u>767,036</u>
EXPENSES			
Administration	500	231,254	226,888
Maintenance and Operations	520	279,841	261,122
Publicity	540	11,600	12,001
Attendance	560	30,601	39,291
Miscellaneous Fair	570	10,880	10,079
JLA - Expense	576	23,168	18,613
Premiums	580	11,423	11,783
Exhibits	630	14,927	18,037
Attractions - Fairtime	660	98,787	109,749
Interim Entertainment	670	24,805	11,618
Equipment	723	-	-
Prior Year Adjustments	800	3,797	(814)
Cash Over/Short from Ticket Sales	850	87	225
Depreciation Expense	900	66,221	65,676
Other Operating Expense	945	-	10,661
Total Expenses		<u>807,392</u>	<u>794,927</u>
RESOURCES			
Net Change - Income / (Loss)		(38,586)	(27,891)
Resources Available, January 1		1,282,374	1,310,265
Resources Available, December 31		<u>\$ 1,243,789</u>	<u>\$ 1,282,374</u>

**29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (38,586)	\$ (27,892)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(16,352)	1,486
Increase (Decrease) in Accounts Payable & Other Liabilities	3,122	(2,710)
Increase (Decrease) in Current Portion of Long-Term Debt	315	1,203
Increase (Decrease) in Deferred Income and Deferred Project	17,903	(26,371)
Increase (Decrease) in Compensated Absence Liability	(1,215)	7,331
Increase (Decrease) in Guarantee Deposits	1,265	(1,325)
Total Adjustments	<u>5,038</u>	<u>(20,386)</u>
Net Cash Provided (Used) by Operating Activities	<u>(33,548)</u>	<u>(48,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements	23,980	(6,509)
(Increase) Decrease in Equipment	17,027	7,791
Net Cash Provided (Used) by Investing Activities	<u>41,007</u>	<u>1,282</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>(11,474)</u>	<u>(11,183)</u>
Net Cash Provided (Used) by Financing Activities	<u>(11,474)</u>	<u>(11,183)</u>
NET INCREASE (DECREASE) IN CASH	(4,015)	(58,179)
Cash at Beginning of Year	238,884	297,063
CASH AT END OF YEAR	<u><u>\$ 234,870</u></u>	<u><u>\$ 238,884</u></u>

**29th DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 29th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Mother Lode Fair each year in Sonora, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no

depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities

to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 100	\$ 100
Change Fund	100	100
Cash in Bank - Operating	8,786	1,447
Cash in Bank - Premium	1	0
Cash in Bank - JLA	24,634	24,338
Cash in Bank - Investment & Savings	<u>201,249</u>	<u>212,898</u>
 Total Cash and Cash Equivalents	 <u>\$ 234,870</u>	 <u>\$ 238,884</u>

NOTE 4 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 26,597	\$ 10,246
Allowance for Doubtful Accounts	<u>(1,119)</u>	<u>(1,119)</u>
 Accounts Receivable - Net	 <u>\$ 25,478</u>	 <u>\$ 9,127</u>

NOTE 5 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Building & Improvements	2,262,983	\$2,237,769
Less: Accumulated Depreciation	<u>(1,369,467)</u>	<u>(1,320,273)</u>
Building & Improvements - Net	<u>\$893,516</u>	<u>\$917,496</u>
 Equipment	 \$ 224,426	 \$ 224,426
Less: Accumulated Depreciation	<u>(201,540)</u>	<u>(184,514)</u>
Equipment - Net	<u>\$ 22,886</u>	<u>\$ 39,912</u>

NOTE 6 **LONG-TERM DEBT**

The DAA has purchased land in 2002 and entered into a long-term loan agreement with California Construction Authority (CCA) for repayment. The terms of the agreement are as follows:

CCA Loan:

Loan Amount	\$ 110,000
First Payment Date	October 2002
Payment Amount	\$ 10,040
Duration of Loan	120 Months
Interest Rate	2.57%
Total Outstanding at 12/31/07	\$ 45,534
Current Portion at 12/31/08	\$ 12,417
Long-Term Portion at 12/31/08	\$ 33,117

NOTE 7 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are

placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**29th DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODE FAIR
SONORA, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 29th DAA Board of Directors
1	Chief Executive Officer, 29th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODGE FAIR
SONORA, CALIFORNIA

MANAGEMENT REPORT #09-028

YEAR ENDED DECEMBER 31, 2008

29TH DISTRICT AGRICULTURAL ASSOCIATION
MOTHER LODGE FAIR
SONORA, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

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Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER

#09-028

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Wes Wittman, President
Board of Directors
29th DAA, Mother Lode Fair
220 Southgate Drive
Sonora, California 95370

In planning and performing our audit of the financial statements of the 29th District Agricultural Association (DAA), Mother Lode Fair, Sonora, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Mother Lode Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 29th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 29th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 29th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 29th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 29th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 29th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets and accounting for sponsorship agreements. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified an additional area containing a non-reportable condition. This condition and accompanying recommendation is not considered a significant weakness. We have included this item solely for the benefit of the 29th DAA's management. We suggest the Fair implement the recommendation as soon as practicable. The Fair, however, is not required to provide written response to the recommendation for a non-reportable condition.

REPORTABLE CONDITION

ACCOUNTING FOR FIXED ASSETS

A review of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing the accounting records and preparing the annual statement of operations (STOP). The following conditions were noted:

- a. The Fair did not correctly allocate depreciation expense to the proper accumulated depreciation accounts. Upon examining the Fair's fixed asset depreciation worksheets and reconciling them to the balances in the Fair's general ledger, our office noted the Fair posted approximately \$13,000 in depreciation expense in the wrong accumulated depreciation account. As a result, on the year-end financial statements, the balance reported for Account #192, Building and Improvements, (stated at net) was understated by \$12,918, while the balance reported for Account #193, Equipment, (stated at net) was understated by the same amount.
- b. In addition, the Fair did not correctly compute depreciation expense for two equipment items. Within the general ledger, the Fair had accounted for the two items as fully depreciated; however, based on the Fair's depreciation worksheets, the two items had one year of service remaining. Overall, this accounting error overstated the Fair's balance for Account #193 Equipment (stated at net) by more than \$4,100.

Recommendations

1. *The Fair should make the necessary correcting journal entries to ensure that the accumulated depreciation accounts related to Account #192, Buildings and Improvements, and Account #193, Equipment, are fairly stated in the general ledger.*
2. *Prior to closing the accounting period at year-end, the Fair should reconcile all amounts reflected on its fixed asset depreciation worksheets to the related balances stated in the general ledger. Any differences should be researched for their cause and corrected.*

ACCOUNTING FOR SPONSORSHIP AGREEMENTS

The Fair has no Board-established procedures for entering into sponsorship agreements. In 2008, the 29th DAA received more than \$44,150 in sponsorship revenue. According to the Division of Fairs and Expositions (F&E) Contract Manual, DAAs should have Board-established procedures for entering into sponsorship agreements. This includes procedures for securing sponsorships, as well as procedures for sponsorship coordinators. All established sponsorship procedures must be reviewed and approved by the Board of Directors. Ultimately, sponsorship agreements entered into by the Fair are subject to their own procedures.

Recommendation

3. *The Fair should comply with the F&E Contract Manual by establishing Board-approved procedures for entering into sponsorship agreements. These procedures will benefit the Fair, as they will specify consistent practices for Fair management and employees to follow when procuring sponsorship revenues.*

NON-REPORTABLE CONDITION**JUNIOR LIVESTOCK AUCTION**

The Fair did not reconcile Account #251, Reserve for Junior Livestock Auction, (JLA) to the corresponding Bank Account #117, Cash - JLA. As a result, these accounts did not agree in the year-end financial statements. According to the Accounting Procedures Manual (APM) Section I, 2.37, Auction Account, the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal Account #251, Reserve for JLA. This was a prior year audit finding.

Recommendation

The Fair should comply with the APM and ensure that Account #117, Cash in Bank - JLA, plus any JLA accounts receivable agrees to Account #251, Reserve for JLA, plus any JLA liabilities. Furthermore, this reconciliation should be done on an annual basis prior to the Fair closing its books.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

MOTHER LODE FAIR SONORA

August 26, 2009

Ron Shackelford, CPA, Audit Chief
State of California Department of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

In response to the audit of the financial statements for the 29th District Agricultural Association (Mother Lode Fair) for the year ending December 31, 2008, we consider the Department's audit process to be fair and informative. Because of the small size of the Mother Lode Fair staff, we value an outside review of the Fair's financial system.

Accounting for Fixed Assets

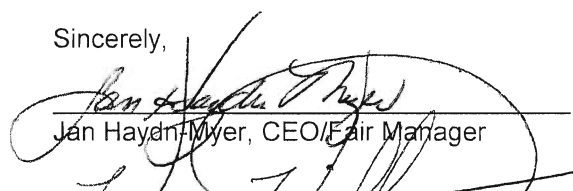
- a. I inadvertently lumped depreciation for Buildings and Improvements and Equipment together which overstated one and understated the other. The Fair has made the necessary correcting journal entries to ensure that the accumulated depreciation accounts related to Acct. #192, Buildings and Improvements, and Account #193 are accurately stated in the General Ledger.
- b. I inadvertently (using Excel) entered an incorrect formula resulting in an error that reflected an inaccurate balance for Acct. #193.100 A/D Equipment. The correcting journal entry has been made to correctly reflect the proper balances. The Fair does reconcile all accounts reflected on its fixed asset depreciation worksheets to the related balances stated in the General Ledger, however, for the 2008 Statement of Operations this error was not detected.

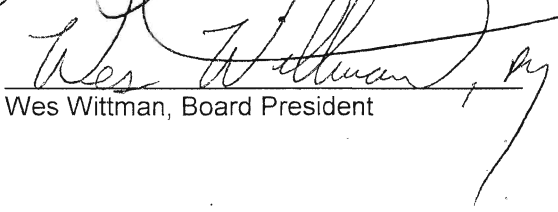
Accounting for Sponsorship Agreements

- a. The Fair will review past sponsorship policy to assure compliance with Fairs & Expositions Contract Manual. However, the Board of Directors of the 29th District Agricultural Association at their regular meeting held July 15, 2008 approved Standard Agreement #08-39 with Sandi Romena to provide sponsorship services for 2008.

The Fair thanks the audit office for the thorough review of the internal control structure of the 29th District Agricultural Association and regards this effort as a tool for management to improve the operations of the Fair.

Sincerely,


Jan Hayden Myer, CEO/Fair Manager


Wes Wittman, Board President

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 29th DAA, Mother Lode Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 23, 2009 and April 3, 2009. My staff met with management on April 3, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "Ron Shackelford".

Ron Shackelford, CPA
Chief, Audit Office

April 3, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 29th DAA Board of Directors
1	Chief Executive Officer, 29th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office